

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2322 - SB 3253

January 29, 2012

SUMMARY OF BILL: Requires the Human Rights Commission to verify that all public charter schools comply with the requirements of Title VI of the Civil Rights Act of 1964 and regulations promulgated pursuant to Title VI. Deletes the definition of “licensed teacher” in the context of public charter schools. Defines “adequate yearly progress” as progress as determined under the Tennessee Value Added Assessment System (TVAAS). Requires public charter schools to promote students on the basis of credit earned through the mastery of certain skills. Requires all public charter school teachers to be qualified to teach by knowledge and experience.

Requires that allocations of charter school funding be based on 100 percent of state and local funds received by the local education agency (LEA), all other public funds received by the LEA, and capital outlay funding. Requires the Department of Education (DOE) to develop a graduated scale to establish funding on a priority based scale with high schools at the top, an intermediate level for middle schools, and lowest priority for elementary schools. Requires the DOE to base the disbursement of capital outlay funding to public charter schools on annual school enrollment.

Requires LEAs to include in their payments to public charter schools the BEP local match funding for school bus transportation. Requires public charter school employees to be covered by the same insurance provided to regular LEA employees but specifies that public charter schools must pay their portion of the insurance premiums. Requires supplemental education service funds to be given to non-profit organizations for the provision of additional and on-going remediation services for Title I students in public charter schools.

Eliminates the current enrollment preferences for public charter schools and requires enrollment on a first come, first served basis if applications exceed the planned capacity of the public charter school. Prohibits the use of a lottery for enrollment purposes.

Changes, from two to five, the number of years a public charter school must fail to meet adequate yearly progress goals before school may have its charter revoked by the authorizing agency.

Requires LEAs to establish virtual schools for students who have demonstrated the need for alternative learning experiences.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$75,000/FY12-13 and Subsequent Years

**Increase Local Expenditures - \$13,000,000/One-Time/FY12-13
\$180,000,000/Recurring/FY12-13 and
Subsequent Years***

Other Fiscal Impact – LEAs will disburse other eligible public funding that it receives to public charter schools. The LEA will make up any disbursements in this category through an increase in LEA expenditures. However, this amount is unable to be reasonably quantified.

Assumptions:

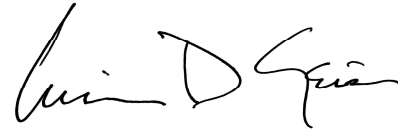
- According to the Human Rights Commission, the number of entities it monitors will triple under the proposed bill. The increase in workload will require two additional administrative assistants at a cost of \$37,500 per position (salary and benefits) resulting in a total increase in state expenditures of \$75,000 (\$37,500 x 2).
- DOE will develop a graduated scale of payments to public charter schools without an increase in personnel or a reduction in other budget items. Any increase in state expenditures for this requirement will be not significant.
- The state or local governments will not increase funding to public charter schools as a result of some charter schools receiving less funding based on the new graduated payment scale. Any necessary increase in funding for public charter schools not listed as high priority will be funded by the public charter school organization.
- LEAs will not be required to transfer funding for school bus transportation unless the LEA is providing transportation to the public charter school. No increase in LEA expenditures for transportation.
- LEA disbursement of other public funds such as federal grants will be dependent upon the terms and conditions of the LEA's grant approval. If a public charter school is eligible for federal grant funding or other funding, the LEA will increase expenditures to make up for this loss of funding, however this amount cannot be reasonably quantified.
- Public charter schools will pay a portion of their employees' insurance premiums. No increase in local expenditures for employee insurance.
- Currently six LEAs have virtual schools.
- All other LEAs (130) will open one virtual school for all students within the LEA, including students enrolled in a public charter school. Federal funding for virtual schools was terminated in FY11-12. LEAs will pay for all expenditures associated with a virtual school.

- The Department of Education has estimated that start-up costs for virtual schools will be \$100,000 per LEA for equipment, infrastructure upgrades, personnel, and program administration. The increase in one-time local expenditures in FY12-13 will be \$13,000,000 (\$100,000 x 130 LEAs).
- No transfer in BEP funding from an LEA to a virtual school since each LEA will house its own virtual school.
- Students will not take every course in the virtual school and will switch from the virtual classroom to the regular classroom in the course of the school day.
- According to DOE, 300,000 students tested either average or below standard on Tennessee Comprehensive Achievement Program or End of Course testing. It is estimated that LEAs will enroll all of these students in at least one virtual school course. It is not known if any of these 300,000 students are currently enrolled in a virtual school or will need to take additional virtual courses.
- According to DOE, LEAs will contract for virtual classes at an average cost of \$600 per student. The recurring increase in local expenditures beginning in FY12-13 and subsequent years will be \$180,000,000 (\$600 x 300,000 students).

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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